

Message Text

CONFIDENTIAL

PAGE 01 LONDON 05391 01 OF 02 011243Z
ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-08 NSC-05
SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03
INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 PA-01
PRS-01 SSC-01 /083 W
-----011306Z 005402 /43

P 011127Z APR 77
FM AMEMBASSY LONDON
TO TREASURY DEPT WASHDC PRIORITY
SECSTATE WASHDC PRIORITY 2235

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 05391

PASS FEDERAL RESERVE BOARD

E.O. 11652: XGDS-1
TAGS: EFIN, UK
SUBJECT: SIR DEREK MITCHELL TO LEAVE THE TREASURY

BEGIN UNCLASSIFIED:

1. PRESS THIS MORNING HIGHLIGHTS THE FORTHCOMING DEPARTURE OF SIR DEREK MITCHELL, SECOND PERMANENT SECRETARY, OVERSEAS FINANCE, FROM H.M. TREASURY. FROM OCTOBER, SIR DEREK WILL BECOME A FULL-TIME DIRECTOR OF THE MERCHANT BANK GUINNESS MAHON. PRESS REPORTS IN FINANCIAL TIMES, TIMES AND GUARDIAN FOLLOW THE SAME GENERAL LINE WHICH PROBABLY INDICATES A BACKGROUND BRIEFING TO THE EFFECT THAT SIR DEREK WAS FIRST APPROACHED BY GUINNESS MAHON LAST SUMMER BUT WITH THE DIFFICULT MONTHS OF THE IMF NEGOTIATIONS AHEAD, HE STAYED IN A SENSE OF PUBLIC DUTY AND FINALLY DECIDED TO LEAVE LAST MONTH. HE WILL REMAIN ON TILL EARLY MAY TO HANDLE THE ARRANGEMENTS FOR THE ECONOMIC SUMMIT MEETING IN LONDON. IT WAS STRENUOUSLY DENIED THAT SIR DEREK WAS LEAVING AS A RESULT OF DIFFERENCES OF OPINION ON POLICY BUT RATHER, HE WANTED TO LEAVE WHILE
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LONDON 05391 01 OF 02 011243Z

STILL YOUNG ENOUGH TO START ANOTHER CAREER. SIR DEREK WAS 55 ON MARCH 5.

2. MITCHELL'S CIVIL SERVICE PENSION WILL NOT BEGIN UNTIL HE IS 60. NORMALLY CIVIL SERVANTS ARE REQUIRED TO WAIT 3 MONTHS AFTER THEY LEAVE A MINISTRY BEFORE TAKING UP SERVICE IN PRIVATE INDUSTRY -- MITCHELL IS BEING FORCED

TO WAIT 6 MONTHS. HE IS REPORTEDLY PIQUED. HE REPORTEDLY WILL RECEIVE A SALARY OF 25-30,000 POUNDS IN PLACE OF HIS 17,000 POUNDS AT TREASURY. VARIOUS PRESS REPORTS CITE ANTHONY RAWLINSON, SECOND PERMANENT SECRETARY IN THE DEPARTMENT OF INDUSTRY, BILL RYRIE, IMF DIRECTOR IN WASHINGTON. AND RUSSELL BARRATT. DEPUTY SECRETARY IN HM TREASURY. AS POSSIBLE REPLACEMENTS.

3. PRESS ARTICLES ALSO CITE STORMY POINTS IN MITCHELL'S CAREER WHICH HAVE INCLUDED HIS STINT AS PRINCIPAL PRIVATE SECRETARY TO SIR HAROLD WILSON IN 1964-66, WHEN HE CROSSED SWORDS WITH LADY FALKENDER, THE PRIME MINISTER'S PERSONAL PRIVATE SECRETARY. AND MORE RECENTLY WITH HAROLD LEVER ON DIFFERENCES OF OPINION OVER THE HANDLING OF IMF LOAN NEGOTIATIONS.

4. INTERESTINGLY, BOTH THE TIMES AND THE GUARDIAN RUN EDITORIALS ON THE LOSS OF LEADERS IN HMTREASURY, MITCHELL'S DEPARTURE COMING SHORTLY AFTER THE ANNOUNCEMENT THAT ALAN LORD, 48, WAS LEAVING AS SECOND PERMANENT SECRETARY IN CHARGE OF INDUSTRIAL POLICY TO JOIN DUNLOP. BOTH THE GUARDIAN AND THE TIMES IN THEIR EDITORIALS COME VERY CLOSE TO MAKING THE SAME COMMENT; I.E., THE GUARDIAN "TO LOSE ONE SECOND PERMANENT SECRETARY MAY BE REGARDED AS A MISFORTUNE, TO LOSE TWO AND IN THE SPACE OF A MONTH AT THAT LOOKS LIKE CARELESSNESS. THE TREASURY HAS QUITE SUDDENLY STARTED TO SEEM DECIDEDLY THIN ON TOP. OF ITS FIVE TOP MEN' ONLY ONE IS FAIRLY SURE STILL TO BE THERE IN TWO YEARS' TIME. HE IS SIR DOUGLAS WASS, THE HEAD OF CONFIDENTIAL

CONFIDENTIAL

PAGE 03 LONDON 05391 01 OF 02 011243Z

THE TREASURY. BELOW HIM, THERE ARE -- WERE -- FOUR, SIR BRYAN HOPKIN, THE CHIEF ECONOMIC ADVISER, IS NOW 62, TWO YEARS PAST THE OFFICIAL RETIRING AGE. AND STAYING ON UNTIL THIS SUMMER IN A PART-TIME CAPACITY WHILE HIS SUCCESSOR IS CHOSEN, MR. ALAN LORD, THE YOUNGEST AT 48, ANNOUNCED A MONTH AGO THAT HE WAS LEAVING TO JOIN DUNLOP, MR. LEO PLIATZKY. THE MOST RECENT APPOINTMENT. WHO HAS HAD THE

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 LONDON 05391 02 OF 02 011248Z
ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-08 NSC-05
SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03
INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 PRS-01
PA-01 SSC-01 /083 W
-----011306Z 005606 /46

P 011127Z APR 77
FM AMEMBASSY LONDON
TO TREASURY DEPT WASHDC PRIORITY
SECSTATE WASHDC PRIORITY 2236

C O N F I D E N T I A L SECTION 02 OF 02 LONDON 05391

THE TOUGH JOB OF BRINGING PUBLIC SPENDING UNDER CONTROL,
IS LESS THAN TWO YEARS FROM RETIREMENT . AND YESTERDAY,
SIR DEREK MITCHELL, THE SECOND PERMANENT SECRETARY IN
CHARGE OF OVERSEAS FINANCE, ANNOUNCED THAT HE WAS JOINING
THE BOARD OF THE MERCHANT BANK OF GUINNESS MAHON IN
OCTOBER."

5. THE TIMES EDITORIAL ECHOES THESE THOUGHTS "WHEN TWO
OF THE TREASURY'S TOP 5 PERMANENT POLITICIANS RESIGN PRE-
MATURELY IN A MONTH IT IS CLEARLY A MATTER OF MOMENT."

BEGIN CONFIDENTIAL

6. COMMENT: THE ABOVE PRESS COMMENTS ABOUT SIR DEREK
AND THE TREASURY IN GENERAL REFLECT TWO SEPARATE POINTS.
THE FIRST ON SIR DEREK'S PERSONAL SITUATION. WHEN HE WAS
PASSED OVER IN FAVOR OF SIR DOUGLAS WASS WHO BECAME THE
TREASURY'S PERMANENT SECRETARY IN 1974, MITCHELL REALIZED
THAT FURTHER UPWARD MOVEMENT FOR HIM WITHIN THE TREASURY
WAS MOST UNLIKELY. AT A LUNCHEON WITH THE FINANCIAL AT-
TACHE LAST YEAR ON MARCH 2, JUST PRIOR TO HIS 54TH BIRTH-
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LONDON 05391 02 OF 02 011248Z

DAY, MITCHELL COMMENTED THAT THE YEARS SEEMED TO BE FLY-
ING BY. HE SAID THEN THAT HE WOULD NOT MIND TURNING HIS
HAND TO SOMETHING DIFFERENT, POSSIBLY IN THE PRIVATE SEC-
TOR. THE INTERNATIONAL MONETARY VORTEX THAT BEGAN SHORT-
LY THEREAFTER WITH THE POUND'S DROP IN MARCH, THROUGH THE
SWAP IN JUNE, TO THE IMF LOAN NEGOTIATIONS FROM SEPTEMBER
TO DECEMBER AND THE BASLE NEGOTIATIONS WHICH FOLLOWED IT
HAVE TAKEN A PHYSICAL TOLL AND BROUGHT MITCHELL UNDER IN-
CREASING CRITICISM FROM SOME SENIOR POLITICIANS, INCLUD-

ING SOME WHO FELT HE TOOK TOO TOUGH A LINE .- OR AT LEAST
ONE TOUGHER THAN MANY LABOUR POLITICIANS WOULD HAVE LIKED.

7. INSIDERS IN HMTREASURY NOTE WASHINGTON EXPERIENCE IS
ALMOST A SINE QUA NON -- OR AT A MINIMUM IS CONSIDERED
MOST DESIRABLE -- FOR ANY SECOND PERMANENT SECRETARY IN
MITCHELL'S SLOT. BASED ON THIS, THE TWO CANDIDATES TO
SUCCEED MITCHELL ARE BILL RYRIE AND TONY RAWLINSON. BOTH
ARE TERMED BY HMTREASURY CAREER STAFF WHO HAVE
WORKED WITH THEM FOR YEARS AS EXTREMELY ABLE, AGGRESSIVE,
SOMETIMES RUTHLESS, AND WITH A STRONG EYE FOR POLICY CON-
SIDERATIONS OF INTEREST TO MINISTERS. RUSSELL BARRATT
WHO LACKS WASHINGTON EXPERIENCE IS PROBABLY THE DARK
HORSE IN THE RACE, ALTHOUGH HE WAS DELIBERATELY SENT TO
WASHINGTON EARLY LAST MONTH IN ORDER TO GIVE HIM SOME
EXPOSURE TO U.S. OFFICIALS AND THE WORKINGS OF THE U.S.
GOVERNMENT.

8. THE LARGER ISSUE, THAT OF THE MORE GENERAL CRITICISM
OF HMTREASURY, HAS BEEN GROWING SINCE OCTOBER WHEN THE
PRIME MINISTER ON TV SAW FIT TO PUBLICLY TAKE ISSUE WITH
THE TREASURY AND THE BANK OF ENGLAND. SINCE THEN, IT HAS
BECOME KNOWN THAT THE PRIME MINISTER WOULD LIKE TO SPLIT
UP THE TREASURY, A VIEW ECHOED BY FORMER PRIME MINISTERS
HEATH AND WILSON (FOR BACKGROUND SEE LONDON 3559 AND
1129). HEALEY, HOWEVER, OBJECTED TO THIS AND ONE OF HIS
CONDITIONS AS STAYING ON AS CHANCELLOR WAS THAT PRIME
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 LONDON 05391 02 OF 02 011248Z

MINISTER CALLAGHAN SHOULD SHELVE THE IDEA.

9. GIVEN THIS AND MORE GENERALIZED CRITICISM LAST YEAR,
IT IS UNDERSTANDABLE THAT MORALE AMONG CAREER HMTREASURY
STAFF IS SUFFERING BASED ON LIMITED CONVERSATIONS,
SENIOR HMTREASURY OFFICIALS WOULD PREFER TO SEE HEALEY
STAY ON AS CHANCELLOR RATHER THAN TO SERVE UNDER THE
POSSIBLE ALTERNATIVES AVAILABLE IN EITHER THE LABOUR
PARTY OR AMONG THOSE POSSIBLE CANDIDATES IN THE OPPOSI-
TION. THEY CLEARLY WONDER WHAT WILL HAPPEN TO THE TREAS-
URY'S STRUCTURE AFTER HEALEY'S DEPARTURE, ALTHOUGH THEY
STILL CONSIDER THE PROBABILITY IS AGAINST A MAJOR BREAK-
UP OF ITS FUNCTIONS.

SPIERS

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PERSONNEL ASSIGNMENTS, PERSONNEL MOVEMENTS
Control Number: n/a
Copy: SINGLE
Sent Date: 01-Apr-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977LONDON05391
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: X1
Errors: N/A
Expiration:
Film Number: D770112-0460
Format: TEL
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770499/aaaadhxn.tel
Line Count: 218
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: df7a07ac-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 14-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2928427
Secure: OPEN
Status: NATIVE
Subject: SIR DEREK MITCHELL TO LEAVE THE TREASURY BEGIN UNCLASSIFIED
TAGS: EFIN, UK, (MITCHELL, DEREK)
To: TRSY STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/df7a07ac-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009